



Homeowners Can Get Lost in the Shuffle And Suffer Harm  
When Their Servicer Transfers Their Mortgage But Not  
the HAMP Application or Modification

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## INTRODUCTION

Treasury has made three extensions of the deadline for homeowners to apply for help with their mortgage through TARP's signature foreclosure relief program known as the Home Affordable Modification Program ("HAMP").<sup>1</sup> These extensions appear to be based on Treasury's desire to offer more homeowners the opportunity to participate in HAMP. Each extension of HAMP presents Treasury with an opportunity for meaningful change rather than keeping the status quo barriers to homeowner entry into HAMP. However, extending HAMP's timeframe is not enough on its own to meaningfully increase homeowner HAMP participation levels because there are several barriers to a homeowner getting help from HAMP. SIGTARP has consistently reported on these barriers in order to increase awareness and ultimately bring meaningful change. SIGTARP has alerted Treasury and the public to challenges homeowners face in receiving affordable and sustainable relief through HAMP (which is Treasury's stated goal), and provided recommendations for Treasury to remove those obstacles and better protect homeowners.<sup>2</sup> Treasury's most recent extension, announced on June 26, 2014, extending the HAMP application deadline to at least December 2016, presents another opportunity for Treasury to remove barriers to homeowners getting the help they need from HAMP.<sup>3</sup>

One barrier to homeowners receiving affordable and sustainable relief from HAMP results from mortgage servicers or investors deciding to transfer mortgages to other servicers. Many homeowners have received notice that their mortgage was sold, their mortgage company was acquired by another company, or that they will have a new mortgage servicer to receive their monthly payments. This shuffling of mortgage servicing is common in the industry. Complications for homeowners occur when their applications for HAMP, or their HAMP trial or permanent modifications, get lost in that shuffle.<sup>4</sup>

Delays, omissions, or miscommunications between current servicers and new servicers during the transfer can seriously delay, deny, or decrease relief provided to HAMP-eligible homeowners. For struggling homeowners seeking or receiving temporary or permanent assistance under HAMP, the harmful effects of their HAMP documentation getting lost in the shuffle could be particularly drastic: their applications for HAMP relief may be "lost," their trial modifications may not be honored, they may erroneously be deemed delinquent or in default, or they may even have foreclosure proceedings commenced against them even though they have been current on their HAMP-modified mortgage payments.

Homeowner calls to SIGTARP's Hotline about difficulties experienced in HAMP as a result of mortgages being transferred from one servicer to another have persisted throughout the life of the program and have escalated in the last year.<sup>5</sup> Treasury is aware of these complaints because it is SIGTARP's standard practice to share these complaints with Treasury soon after receiving them. Additionally, in a criminal investigation, SIGTARP found problems with SunTrust Mortgage's administration of HAMP related to servicing transfers. The case was resolved in a public non-prosecution agreement with the Department of Justice in 2014.<sup>6</sup> In

2013, the Consumer Financial Protection Bureau (“CFPB”) also issued a bulletin on heightened concerns about homeowner complaints they received on transfers that resulted in lost trial modifications.<sup>7</sup> In 2014, CFPB issued a second bulletin based on similar findings made in their examinations of servicers.<sup>8</sup>

The escalated complaints to SIGTARP, SIGTARP’s findings in its SunTrust investigation, CFPB’s heightened concerns from consumer complaints, and CFPB’s examination findings confirm that this is an area where Treasury must do more to protect homeowners. Treasury’s HAMP rules require that the HAMP applications, modifications, and related information be transferred with the mortgages.<sup>9</sup> Treasury has never reported on any problems with servicers not following these rules despite Treasury having conducted in-depth assessments of the top servicers’ compliance with TARP rules.<sup>10</sup> Treasury also requires servicers to report any transfers of these mortgages to Treasury, but Treasury has never reported any servicer’s failure to report that information.<sup>11</sup> Treasury was unable to provide SIGTARP even basic information regarding the number of HAMP modifications and HAMP-eligible loans that have been transferred. In August 2014, SIGTARP requested data on all HAMP servicing transfers that took place since the beginning of HAMP. Treasury has not provided this information. Given the findings of SIGTARP and CFPB, in addition to increased complaints by homeowners, Treasury’s lack of findings raises the question of whether Treasury is doing enough to protect homeowners from getting lost in the transfer shuffle.

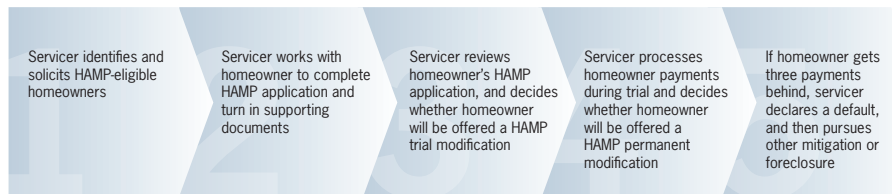
Treasury is responsible for ensuring that the interests of homeowners are not adversely affected by the transfer of HAMP-modified mortgages or HAMP applications by servicers that Treasury pays using TARP dollars. Homeowners have little ability to protect themselves in this area because the decision of whether or not to transfer or acquire mortgage servicing assets rests solely with the participating servicers and investors. Homeowners should be entitled to have servicers, with whom Treasury contracted to administer HAMP, follow the HAMP rules set by Treasury. Treasury has the ultimate responsibility to ensure that homeowners are protected in HAMP, and to ensure that when a servicer or investor elects to transfer mortgages, it will not negatively affect the ability of homeowners to participate in HAMP, their credit rating, or whether they are ultimately able to retain their home.

## HOMEOWNERS CONTINUE TO FACE BARRIERS TO HAMP ASSISTANCE WHEN THEIR MORTGAGES ARE TRANSFERRED TO ANOTHER SERVICER

Prior to TARP, a mortgage servicer's primary role was to receive and process homeowners' mortgage payments. Treasury added to that role for those servicers who voluntarily signed a contract to participate in HAMP. Treasury designed HAMP to have servicers deliver TARP assistance to struggling homeowners, as illustrated in Figure 3.1. In exchange, Treasury pays servicers incentive payments.<sup>12</sup> As of September 2014, Treasury has paid HAMP mortgage servicers nearly \$2.5 billion through TARP housing assistance programs.<sup>13</sup>

FIGURE 3.1

### ROLE OF A MORTGAGE SERVICER IN HAMP AS DESIGNED BY TREASURY



Source: SIGTARP, analysis of "Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages, Version 4.4," 3/3/2014, [www.hmpadmin.com/portal/programs/docs/hamp\\_servicer/mhahandbook\\_44.pdf](http://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_44.pdf), accessed 10/6/2014.

Given the time it takes for each of these steps, a transfer of the mortgage to another servicer can result in significant delays and confusion to a homeowner no matter where the homeowner is in the HAMP process. Treasury's rules on HAMP have been clear from the beginning: when a servicer transfers a mortgage or servicing rights to a mortgage that is in or eligible for HAMP, the obligations related to HAMP for that mortgage are required to be transferred with the mortgage.<sup>14</sup> Treasury's rules specifically state that a servicer may not use a transfer to circumvent its obligations under its contract with Treasury.<sup>15</sup> At the very beginning of HAMP, Treasury required in its agreement with each servicer that they notify Treasury in writing of any transfer of mortgage servicing or mortgages of HAMP-eligible homeowners and sign an agreement with the new servicer confirming that the new servicer assumed all the rights and obligations related to HAMP.<sup>16</sup>

Treasury is responsible for enforcing HAMP's rules. However, despite Treasury's requirement that HAMP applications and HAMP modifications travel with any transferred mortgages or servicing transfers, homeowners have faced barriers, from the very beginning of the program, in receiving help from HAMP as a result of mortgage servicing transfers.<sup>17</sup> SIGTARP has reported on this problem from the beginning of the program. In October 2010, SIGTARP reported in its Quarterly Report to Congress that it had been contacted by homeowners who faced problems with HAMP when their servicer changed. SIGTARP included the following two examples in that report, which SIGTARP also shared with Treasury:<sup>18</sup>



*"I applied to the Making Home Affordable Program with [my previous servicer] and sent requested documents in by 8/31/09. They ...told me on the phone that they were modifying my loan and interest rate would be reduced to less than 5%...[my previous servicer] had taken automatic payments from my checking account since closing in early 2003... mortgage payments were never delinquent until [my previous servicer] failed to take that automatic deduction before selling my servicing agreement. The next I heard was from [my new servicer] welcoming me to their service and informing me that my payment was already delinquent and had a penalty due. They denied all knowledge of my previous agreement or negotiations with [my previous servicer] or of the extensive paperwork which I had submitted. I had to resubmit all documentation and have had nothing but delays and 'runarounds' since. I have replied to numerous requests for additional documentation which was so often 'misplaced' or never received or to have automatically expired and to need renewal."*

*"Our original mortgage was with [Bank A]...Five months later [Bank B] acquires [Bank A] tells us we have to start the process over...almost a year later in December 2009 we finally receive the first modification paperwork package...we are told by our mortgage adjust specialist...to show every possible expense, the more debt we show the better. Even if we show we cannot afford the modified payment that is OK because that can help us get an even lower payment. We make our five trial payments no problem, [June 2010] we got to make our sixth trial payment and are told we are denied a loan modification because it has been determined we cannot afford the payment. They demand our full mortgage payment."*

Although HAMP trial modifications are required to be transferred with mortgages or servicing rights, sometimes that does not happen.<sup>19</sup> Mortgage servicers are typically designed so that the mortgage servicing is in one department and loss mitigation, which would include HAMP, is in another department. Where there is a lack of communication and coordination, the department holding the mortgage or servicing rights might transfer that to another servicer but not tell or coordinate effectively with the department handling HAMP. Given that a HAMP trial modification pays less than the original mortgage payment, a new servicer that does not know that the homeowner is in a HAMP trial modification only sees that the homeowner has not paid in full, which can then cause the new servicer to claim that the homeowner is delinquent or, worse, in default, which could even lead the servicer to start foreclosure proceedings.

SIGTARP's criminal investigation into SunTrust Mortgage, a TARP recipient, for harming homeowners in its administration of the GSE-version of HAMP, uncovered problems with SunTrust having transferred hundreds of homeowners' mortgages to NationStar for servicing in 2010 while the homeowners were in HAMP trial modifications.<sup>20</sup> Although the servicing of mortgages transferred, the

HAMP trial modifications did not. The homeowners were required by their new servicer to reapply for HAMP with hopes of starting a new trial plan. Homeowners were harmed. They had been paying a lower interest rate under the original HAMP trial modification. Sometimes the new servicer put them into a new HAMP trial modification and sometimes into a non-HAMP trial modification proprietary to the servicer. The new servicer charged them higher unmodified interest rates, which were added to their unpaid principal balances.<sup>21</sup> SIGTARP's criminal investigation was resolved by the Department of Justice executing a non-prosecution agreement in July 2014 that required SunTrust Bank to pay \$320 million, including relief for victimized homeowners and payments to homeowners for the amount of excess interest capitalized. SunTrust is required under the agreement with DOJ to designate an employee responsible for identifying all transfers to another servicer and ensuring that the new servicer receives information on loss mitigation status, including HAMP, at the time of the transfer, and for confirming that all documents associated with loss mitigation status are provided to the new servicer. SunTrust is also required to retain copies of the documents transferred to the new servicer and verify that communications with homeowners about transfers contain full and accurate information.<sup>22</sup>

In late 2011, two and half years after the program began, Treasury issued more detailed guidance to HAMP servicers, effective March 1, 2012.<sup>23</sup> Treasury's 2011 guidance requires both the current servicer and the new servicer to "cooperate with each other to cause as little disruption as possible to the borrower." Among other things, Treasury's new guidance made clear that servicers transferring mortgage servicing are responsible for ensuring that all information, documentation, and data regarding a transferred HAMP-eligible mortgage is provided to the new servicer in a timely manner, and that the data is accurate and complete. Treasury's guidance put a deadline on servicers' notification to Treasury of at least 30 days in advance of the transfer,<sup>24</sup> and of at least 15 days prior to the transfer for delivery of the agreement between the old and new servicer, with the list of HAMP-eligible loans to be delivered attached. Treasury's 2011 guidance required servicers to "ensure that all data on the transferred loans reflected in the HAMP Reporting Tool, including the Official Monthly Report (OMR), is accurate, complete, and up-to-date before the loans are transferred." It further required that the new servicers validate the "receipt and completeness" of the loan level HAMP data with Treasury within 60 days of the effective date of transfer.

## HOMEOWNER COMPLAINTS ABOUT HAMP PROBLEMS CAUSED BY SERVICING TRANSFERS HAVE ESCALATED

In recent years, mortgage servicers have transferred large numbers of mortgages and mortgage servicing, including HAMP-modifications and HAMP-eligible loans, to other servicers. Many of these transfers have moved servicing assets from regulated banks to non-bank servicers such as Ocwen, NationStar, and Green Tree.

From 2013 to 2014, nearly 100 homeowners contacted SIGTARP asking for SIGTARP's help in getting HAMP relief and complaining of problems relating to the transfer of their mortgage to another servicer, 84 of those calls coming in 2014. Because these homeowners are seeking help with their specific mortgage, and in order to inform Treasury about homeowner barriers in HAMP, SIGTARP's standard practice is to share a copy of homeowner complaints with Treasury soon after receiving them. The serious problems raised by homeowners include lost and delayed HAMP applications, trial and permanent modifications not being honored, and the miscalculation or misapplication of monthly payments. The consequences of such problems and delays for struggling HAMP-eligible homeowners, many of whom could not afford their mortgage payments, can be severe. During the time homeowners' HAMP determinations are delayed due to servicing transfers, their financial hardships continue. Many will continue to accrue late fees and unpaid interest that can hurt their chances of receiving a HAMP modification and that generally result in less favorable terms for those fortunate enough to receive a modification. For those already in HAMP, servicing transfers that are not honored, or payments that are misapplied due to missing paperwork or miscoding of HAMP data during the transfer, could result in their mortgages reverting to the original terms that they previously could not afford. The large number of homeowner complaints identified real harm that Treasury must rapidly and aggressively respond to before the problem escalates even further.

### Lost or Delayed Applications for HAMP Relief

One way homeowners can suffer harm when their mortgages are transferred to a new servicer is that their applications for HAMP relief may be lost or delayed in the process. For example, on December 31, 2013, one homeowner reported to SIGTARP that her completed HAMP application was never transferred from her original lender to the new servicer. After being advised to wait several months for the documentation to be received by the new servicer, the homeowner reported she was required to submit a new application. She also reported that the new servicer made certain calculation errors in processing her HAMP application. The homeowner further stated that action on her HAMP application was delayed for at least six months after the transfer. For homeowners like this, a delay in receiving assistance has real consequences including not just the delay in receiving a mortgage modification, but also the likelihood they may fall further behind in their mortgage payments, further complicating their ability to enter HAMP. In some



cases, the missed payments may be so large that, when added to the outstanding balance, it becomes nearly impossible for the homeowner to reach the necessary Debt to Income (“DTI”) ratio required for HAMP.<sup>25</sup>

### **Failure to Process or Honor HAMP Modifications**

Another risk to HAMP homeowners is that the new servicer is never informed of or otherwise fails to honor the homeowners’ HAMP trial period modifications, making the homeowner immediately delinquent on the terms of the original mortgage even when the homeowner made all payments required under the HAMP modification. Struggling homeowners should not face the additional financial and other burdens potentially required to assert their rights under HAMP. In one case, for example, a homeowner reported to SIGTARP that the new servicer failed to give him a permanent HAMP modification in accordance with HAMP guidelines, even though he had successfully completed his HAMP trial period plan with his previous servicer.

Homeowners who have already qualified for and are complying with the terms of permanent HAMP modifications can also suffer harm if the new servicer does not receive or otherwise fails to honor their modification. On February 27, 2013, one homeowner reported to SIGTARP that his new servicer failed to honor his permanent HAMP modification, advising him that even though the homeowner possessed executed and notarized copies of the required documentation, it never received finalized documents from his previous servicer and would not accept the homeowner’s modified payments. The new servicer asserted he was therefore in arrears (at that time by 15 months) under the terms of the original mortgage.

In a similar case involving a Second Lien Program modification, on May 19, 2014, a homeowner who had received both a HAMP modification on his primary mortgage and a HAMP-2MP modification on his second mortgage reported to SIGTARP that the firm that acquired his second mortgage claimed he was not eligible for that program, even though he had made all payments on time.

### **Transferee Servicers May Misapply or Miscalculate Payments**

After acquiring a mortgage, a transferee servicer also may recalculate income or payments in ways that disadvantage HAMP homeowners. For example, on February 7, 2014, a homeowner reported to SIGTARP that a new servicer changed the terms of his HAMP modification by accelerating the amortization of his escrow arrearage payments over only 36 months, rather than the 60-month period originally provided. The homeowner stated that this action increased his monthly payments by almost \$200 from what was agreed upon under the HAMP modification with his prior servicer.

These and other reports raise continuing concerns that servicers are not following Treasury’s rules in HAMP and homeowners are suffering as a result. Despite HAMP existing for five years, these homeowner complaints and others suggest that many HAMP servicers do not have the capacity, procedures, and controls to ensure that the transfers they engage in are conducted appropriately

and without harm to the struggling homeowners. Homeowners have no say in who services their mortgage. Homeowners are entitled to the protections laid out in Treasury's HAMP rules that the decision by a servicer to transfer their mortgage will not negatively affect their ability to participate in HAMP, their credit ratings, or whether they are ultimately able to retain their homes.

### **CFPB Heightened Concerns**

In February 2013, the CFPB issued a public bulletin on heightened concerns of risks to homeowners in connection with transfers of servicing. In the bulletin, CFPB discussed consumer complaints that new servicers sometimes fail to honor the terms of trial loan modifications provided by prior servicers because relevant documents are not transferred or the new servicer does not take adequate steps to identify the mortgages that are in trial modifications.<sup>26</sup>

On August 19, 2014, CFPB issued a new bulletin saying that its concerns remained heightened due to the continuing high volume of servicing transfers. During its examinations, CFPB examiners determined that servicers had failed to properly identify loans that were in trial or permanent modifications with the prior servicer at the time of transfer. CFPB also found servicers that had failed to honor trial or permanent modifications unless they could independently confirm that the prior servicer properly offered a modification or that the offered modification met investor criteria. CFPB also reported findings in its examinations that the transferee servicers did not obtain all of the information they needed from the transferor servicer.<sup>27</sup>

## **TREASURY OVERSIGHT OF HAMP MORTGAGE SERVICING TRANSFERS**

Treasury conducts oversight of HAMP mortgage servicing transfers in two ways. First, Treasury conducts in depth "kick-the-tires" assessments of the top HAMP servicers' compliance with HAMP rules and HAMP performance, which it publicly reports on quarterly.<sup>28</sup> Second, Treasury requires that HAMP servicers report all transfers to Treasury, recently changing to an automated system in 2013.<sup>29</sup>

### **Treasury Has Not Reported Problems Related to Servicing Transfers in its In Depth Assessment of Top HAMP Servicers**

Treasury has the opportunity to go into all of the major HAMP servicers and kick the tires to make sure the servicer is complying with HAMP rules and to assess the servicer's performance in HAMP.<sup>30</sup> According to the MHA Program guidelines, Treasury's compliance reviews may cover, but are not limited to, servicers' HAMP borrower eligibility determinations, underwriting, data accuracy and reporting, complaint management, internal controls, quality assurance, and document retention.<sup>31</sup> Treasury uses the outcome of the reviews to "require participating servicers to take specific actions to improve their servicing processes, as needed."<sup>32</sup>

Treasury also has had the benefit of the homeowner complaints received by SIGTARP that identify each servicer involved and the specific homeowner information that Treasury can use to target these assessments.

SIGTARP has found problems with HAMP servicers transferring mortgages to other servicers but not HAMP applications or HAMP trials.<sup>33</sup> CFPB has found problems with servicers transferring mortgages to other servicers but not transferring trial modifications.<sup>34</sup> It is unclear whether Treasury has found problems with servicing transfers.

Treasury has never reported on any problems with servicing transfers or any servicer's failure to follow Treasury's rules in this area.<sup>35</sup> Early in HAMP, SIGTARP recommended that Treasury set performance goals and metrics for servicers in HAMP and publicly report on the top servicers' performance.<sup>36</sup> In June 2011, Treasury began publishing quarterly results of its assessments for the largest HAMP servicers, to "drive servicers to improve their performance" against a series of compliance benchmarks.<sup>37</sup> The most recent Quarterly Performance Report, covering the second quarter of 2014, assessed the following metrics:<sup>38</sup>

- **"Second Look" Assessments:** The percentage of loans where Treasury (a) did not concur, or (b) was unable to conclude, that the homeowner was properly considered for, denied or deemed ineligible for a permanent HAMP modification
- **Income Calculation Errors:** How often MHA-C disagrees with a servicer's calculation of a homeowner's Monthly Gross Income (allowing for up to a 5% differential from MHA-C's calculations)
- **Incentive Payment Data Errors:** The accuracy of data reported by the servicer that is used to calculate the program incentives due to servicers, investors and homeowners
- **Single Point of Contact:** The percentage of loans where Treasury did not concur that the servicer had assigned a Single Point of Contact to a homeowner in a timely fashion and otherwise in accordance with MHA guidelines
- **Non-Approval Notice and Disqualified Modification Noncompliance:** The percentage of loans where MHA-C did not concur with (a) the completion or accuracy of non-approval notices sent to homeowners, and (b) the processing of defaulted HAMP modifications, in accordance with MHA guidelines.

Treasury states that its assessments also evaluate "key indicators of how timely and effectively servicers assist eligible homeowners under MHA guidelines and report program data." These indicators include the percentage of active trial modifications aged six or more months, the average number of days to resolve "escalated cases," the percentage of permanent modifications the servicer reported within the same month it was effective, and the percentage of missing status reports on permanent modifications. Unlike the compliance benchmarks, however, Treasury does not assign an overall rating for these performance indicators.<sup>39</sup>

Significantly, Treasury does not include benchmarks of servicer performance directly relating to servicing transfers. Treasury has never published an assessment

of the impact of transfers (including to non-bank servicers) on the ultimate outcomes obtained by the struggling homeowners TARP is intended to assist. Over the last three years Ocwen, NationStar, and Green Tree have experienced tremendous growth largely due to servicing transfers.<sup>40</sup> Between June 30, 2011 and June 30, 2014 the number of mortgages serviced by Ocwen has increased almost five times over, the number of mortgages serviced by Nationstar has increased almost four times over, and the number of mortgages serviced by Green Tree has more than doubled.<sup>41</sup> As a result, these non-bank servicers are among the largest HAMP servicers.<sup>42</sup> Treasury must ensure the fair treatment of homeowners receiving or seeking HAMP assistance when their servicers or investors choose to transfer the servicing of their mortgages. Treasury should include this as part of their public servicer assessment. Table 3.1 shows Treasury's published servicer assessment ratings over the last three years. Over that period, the vast majority of ratings have been "Moderate Improvement Needed." During this same period, there have been numerous legal and regulatory findings and settlements over the conduct of mortgage servicers, including servicers participating in HAMP, and their treatment of homeowners.

TABLE 3.1

SERVICER	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Bank of America, N.A.	●	●	●	●	●	●	●	●	●	●	●	●
JPMorgan Chase Bank, N.A.	●	●	●	●	●	●	●	●	●	●	●	●
Ocwen Loan Servicing, LLC	●	●	●	●	●	●	●	●	●	●	●	●
Nationstar Mortgage LLC	●	●	●	●	●	●	●	●	●	●	●	●
Select Portfolio Servicing, Inc.	●	●	●	●	●	●	●	●	●	●	●	●
Wells Fargo Bank, N.A.	●	●	●	●	●	●	●	●	●	●	●	●
CitiMortgage, Inc.	●	●	●	●	●	●	●	●	●	●	●	●

Notes:

Table only includes the servicers currently included in the servicer assessments.

Legend:

- Servicer rated as "Minor Improvement Needed" during the quarter.
- Servicer rated as "Moderate Improvement Needed" during the quarter.
- Servicer rated as "Substantial Improvement Needed" during the quarter.
- Servicer not included in the quarter's assessment.

Source: SIGTARP, analysis of "Making Home Affordable Program Performance Reports," (including Quarterly Servicer Assessments), [www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx](http://www.treasury.gov/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx), accessed 10/6/2014.

Treasury has never permanently withheld TARP payments from servicers. A few times Treasury has temporarily withheld payments from servicers, which it just did for CitiMortgage, Inc., only to give the servicer all of the money later.<sup>43</sup> The only time Treasury has addressed servicing transfers in its quarterly servicer assessments was to use servicing transfers as a reason not to withhold incentives. For example, Treasury's MHA Servicer Assessment for the first quarter of 2011 stated "Treasury will not withhold servicer incentives owed to Ocwen Loan Servicing, LLC for this quarter. Because Ocwen's compliance results for the first quarter of 2011 were substantially and negatively affected by its acquisition of a

large servicing portfolio during the compliance testing period, Treasury determined that withholding servicer incentives was not warranted this quarter. Treasury will withhold servicer incentives from Ocwen if future compliance results do not indicate improvements.”<sup>44</sup> Treasury never withheld incentive payments to Ocwen.<sup>45</sup> The magnitude of the transfer to Ocwen should have put Treasury on notice that it needed to ensure all HAMP applications and HAMP modifications transferred with the mortgage.

Given the heightened concerns articulated by CFPB, and the increasing number of homeowner complaints that SIGTARP received and provided to Treasury, the transfer of a HAMP mortgage or HAMP-eligible mortgage is an area where Treasury needs to make oversight a top priority in order to eliminate another barrier to HAMP. Treasury’s immediate action is necessary to ensure that HAMP servicers comply with HAMP rules and to protect homeowners.

### **Treasury Requires Servicer Reporting on Transfers of HAMP Mortgages but Treasury’s Oversight of HAMP Servicing Transfers is Insufficient to Protect HAMP Homeowners**

In June 2013, after CFPB’s public bulletin of its heightened concerns and after receiving from SIGTARP homeowners’ complaints that were made to SIGTARP, Treasury announced that it would update its HAMP Reporting System to automate the intake of data on transfers of HAMP-eligible loans to new servicers.<sup>46</sup> Treasury’s announcement provided that, effective August 2013, servicers would input loan level data for the transfer of every HAMP-eligible mortgage into the HAMP Reporting Tool, and that there would be an alert set up for each mortgage. Once the servicer submitted the mortgage as part of a servicing transfer, the HAMP Reporting Tool would give the mortgage a Servicing Transfer Deal Identifier that the servicer must provide to the new servicer. Treasury’s program administrator would then review the transfer and generate a concurrence report. Both servicers would then have to concur in the new electronic system that the loan list is accurate or submit a non-concurrence, which would then have to be reviewed. After the transfer, Treasury’s system would generate a Reconciliation Report that is sent to both servicers that contains the details of the transfers so that servicers can reconcile their transfers. This new system became effective with the August 2013 reporting cycle.<sup>47</sup>

Presumably, Treasury automated the reporting of HAMP modified (or eligible) mortgages to protect homeowners and to give Treasury a better tool for oversight over transfers. Treasury’s new automated system could be used to generate data that could be an important tool for Treasury to use in assessing whether HAMP servicers are following the rules and in determining the impact servicing transfers have on homeowners seeking or receiving HAMP assistance.

Treasury must take a strong stand in this area. Treasury has required reporting on transfers from all HAMP servicers, and Treasury conducts in-depth assessments of the top servicers.<sup>48</sup> CFPB’s work in this area has been public.<sup>49</sup> SIGTARP gave



Treasury copies of homeowner complaints related to servicing transfers. Therefore, Treasury is on notice that this is an area of high risk.

In order to evaluate the impact of servicing transfers on homeowners participating in HAMP or seeking HAMP, SIGTARP requested that Treasury provide a list of all HAMP modifications and HAMP-eligible mortgages that servicers have transferred since the program began. Despite Treasury's contract with the servicers and a HAMP requirement that servicers transferring loans or servicing provide written notice of all transfers on a mortgage level basis, Treasury has not produced this information.

Reporting and assessment by Treasury of servicing transfers is essential to effective oversight. Without this determination, Treasury cannot confidently assure the public that HAMP homeowners have not been harmed when their mortgages have been transferred to other servicers, particularly in light of the concerns raised by CFPB and the HAMP-specific anecdotes of homeowner harm that SIGTARP provided to Treasury.

Given the scale of the reported problems related to transfers to new servicers, and the potentially serious harm to struggling homeowners who need relief from HAMP, Treasury must be aggressive and swift in sending the message to servicers that Treasury will not tolerate harm to homeowners in HAMP from servicing transfers. HAMP is five years old, and servicers have had ample time to understand the rules and to follow them. Treasury should no longer tolerate a failure to follow HAMP rules. Treasury should report on violations publicly, and permanently withhold incentive payments from servicers that do not comply with HAMP rules on transfers.

1. Treasury, Treasury Notes, "Expanding our efforts to help more homeowners and strengthen hard-hit communities," 1/27/2012, [www.treasury.gov/connect/blog/Pages/Expanding-our-efforts-to-help-more-homeowners-and-strengthen-hard-hit-communities.aspx](http://www.treasury.gov/connect/blog/Pages/Expanding-our-efforts-to-help-more-homeowners-and-strengthen-hard-hit-communities.aspx), accessed 10/6/2014; Treasury, "Obama Administration Extends Deadline for Making Home Affordable Program," 5/30/2013, [www.makinghomeaffordable.gov/about-mha/latest-news/Pages/Obama-Administration-Extends-Deadline-for-Making-Home-Affordable-Program.aspx](http://www.makinghomeaffordable.gov/about-mha/latest-news/Pages/Obama-Administration-Extends-Deadline-for-Making-Home-Affordable-Program.aspx), accessed 10/6/2014; Treasury Press Release, "Secretary Lew Unveils New Efforts to Assist Struggling and Prospective Homeowners, Provide More Affordable Options for Renters," 6/26/2014, [www.treasury.gov/press-center/press-releases/Pages/jl2444.aspx](http://www.treasury.gov/press-center/press-releases/Pages/jl2444.aspx), accessed 10/6/2014.
2. SIGTARP, "Reports & Audits," [www.sig tarp.gov/pages/reportsaudits.aspx](http://www.sig tarp.gov/pages/reportsaudits.aspx), accessed 10/6/2014.
3. Treasury Press Release, "Secretary Lew Unveils New Efforts to Assist Struggling and Prospective Homeowners, Provide More Affordable Options for Renters," 6/26/2014, [www.treasury.gov/press-center/press-releases/Pages/jl2444.aspx](http://www.treasury.gov/press-center/press-releases/Pages/jl2444.aspx), accessed 10/6/2014.
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# ARMED SERVICES MORTGAGE FRAUD ALERT



SIGTARP



Consumer Financial  
Protection Bureau



## Avoiding HAMP Mortgage Modification Scams; Resources for Servicemembers

### FRAUD ALERT:

Mortgage modification fraud schemes targeting struggling homeowners and which exploit the federal Home Affordable Modification Program (HAMP) have become increasingly common, and members of the Armed Services community struggling to make their mortgage payments should beware of con artists and scams that promise to save their homes and lower their mortgage debt or payments. A number of these scams are specifically targeting members of the Armed Services community.

### FACTS:

For servicemembers having trouble paying their mortgage, free help is available. Advice from U.S. Department of Housing and Urban Development (HUD)-approved housing counselors is always FREE, as are mortgage modifications under HAMP. In most cases, charging fees in advance for a mortgage modification is illegal. HUD-approved housing counselors can help you avoid scams and better understand your options.

### RESOURCES:

**Consumer Fraud Alert** – For tips on how to identify and avoid mortgage modification scams and to view the Consumer Fraud Alert issued by the HAMP Mortgage Modification Fraud Taskforce, visit [www.SIGTARP.gov/documents/Consumer\\_Fraud\\_Alert.pdf](http://www.SIGTARP.gov/documents/Consumer_Fraud_Alert.pdf).

**U.S. Department of Veterans Affairs** – If you are an active-duty servicemember or veteran and have a VA loan, call the U.S. Department of Veterans Affairs at 1-877-827-3702 or visit the Loan Guaranty Service Home Loan Program Web site at [www.HomeLoans.VA.gov](http://www.HomeLoans.VA.gov).

**Making Home Affordable Program** – For free mortgage-related advice and assistance from HUD-approved housing counselors or to apply for HAMP, call the **Homeowner's HOPE™ Hotline** at **1-888-995-HOPE** (1-888-995-4673) or visit [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov). You can apply to HAMP on your own or with free help from a HUD-approved housing counselor. Applying to HAMP is always FREE.

**Consumer Financial Protection Bureau** – For additional help and more information about mortgages, dial 1-855-411-2372 or visit [www.ConsumerFinance.gov/mortgagehelp](http://www.ConsumerFinance.gov/mortgagehelp).

**Fannie Mae** – If your mortgage is owned by Fannie Mae, for help and more information, dial 1-800-7Fannie or visit [www.FannieMae.com/portal/helping-homeowners-communities/veterans-outreach.html](http://www.FannieMae.com/portal/helping-homeowners-communities/veterans-outreach.html).

**Freddie Mac** – If your mortgage is owned by Freddie Mac, for help and more information, dial 1-800-Freddie (option 2) or visit [www.FreddieMac.com/avoidforeclosure/military\\_assistance.html](http://www.FreddieMac.com/avoidforeclosure/military_assistance.html).

**U.S. Department of Agriculture** – If your mortgage was issued by the USDA, for help and more information, contact the Centralized Servicing Center at 1-800-414-1226 or visit [RDHomeLoans.USDA.gov](http://RDHomeLoans.USDA.gov).

**Federal Housing Administration** – If your mortgage is insured by FHA, for help and more information, contact the National Servicing Center at 1-877-622-8525 or visit [www.HUD.gov/offices/hsg/sfh/nsc/nschome.cfm](http://www.HUD.gov/offices/hsg/sfh/nsc/nschome.cfm).

### REPORT FRAUD:

**Special Inspector General for the Troubled Asset Relief Program** – If you believe that you or someone you know has been a victim of a mortgage modification scam exploiting HAMP, dial the SIGTARP Hotline at 1-877-744-2009 or visit [www.SIGTARP.gov/pages/hotline.aspx](http://www.SIGTARP.gov/pages/hotline.aspx) to submit a tip, which can be done anonymously.

**Consumer Financial Protection Bureau** – To report mortgage modification issues unrelated to HAMP, visit [Help.ConsumerFinance.gov/app/mortgage/ask](http://Help.ConsumerFinance.gov/app/mortgage/ask) to submit a complaint.

This message is courtesy of the Office of the Special Inspector General for the Troubled Asset Relief Program, the Consumer Financial Protection Bureau, and the U.S. Department of the Treasury. For more information, visit [www.SIGTARP.gov](http://www.SIGTARP.gov), [www.ConsumerFinance.gov](http://www.ConsumerFinance.gov), and [www.Treasury.gov](http://www.Treasury.gov).



# CONSUMER FRAUD ALERT



SIGTARP



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## Tips for Avoiding Mortgage Modification Scams

Homeowners struggling to make their mortgage payments should beware of con artists and scams that promise to save their homes and lower their mortgage debt or payments.

If you are struggling to pay your mortgage and are seeking a mortgage modification, keep the following tips in mind:

- You can apply to the federal Home Affordable Modification Program (HAMP) on your own or with free help from a housing counselor approved by the U.S. Department of Housing and Urban Development (HUD). Applying to the program is always **FREE**. For more information on how to apply, call the **Homeowner's HOPE™ Hotline** at **1-888-995-HOPE** (1-888-995-4673) or visit [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov).
- Only your mortgage servicer has discretion to grant a loan modification. Therefore, no third party can guarantee or pre-approve your HAMP mortgage modification application.
- Beware of anyone seeking to charge you in advance for mortgage modification services – in most cases, charging fees in advance for a mortgage modification is illegal.
- Paying a third party to assist with your HAMP application does not improve your likelihood of receiving a mortgage modification. Accordingly, beware of individuals or companies that ask you for payment and tout success rates or claim to be "experts" in HAMP.
- If an individual or company claims to be affiliated with HAMP or displays a seal or logo representing the U.S. government in correspondence or on the Web, you should check the connection by calling the Homeowner's HOPE™ Hotline.
- Beware of individuals or companies that offer money-back guarantees.
- Beware of individuals or companies that advise you as a homeowner to stop making your mortgage payments or to not contact your mortgage servicer.

Financially troubled homeowners can avoid scams by working with a HUD-approved housing counselor to understand their options and to apply for assistance. Assistance from HUD-approved housing counselors is free, and homeowners can reach them by calling the **Homeowner's HOPE™ Hotline** at **1-888-995-HOPE** (1-888-995-4673) or by visiting [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov).

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This message is courtesy of the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Consumer Financial Protection Bureau, and the U.S. Department of the Treasury. To report illicit activity involving HAMP, dial the **SIGTARP Hotline** at **1-877-SIG-2009** (1-877-744-2009). For more information, visit [www.SIGTARP.gov](http://www.SIGTARP.gov) and [www.ConsumerFinance.gov](http://www.ConsumerFinance.gov).

## SIGTARP HOTLINE

If you are aware of fraud, waste, abuse, mismanagement, or misrepresentations associated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline.

By Online Form: [www.SIGTARP.gov](http://www.SIGTARP.gov)  
By Phone: Call toll free: (877) SIG-2009  
By Fax: (202) 622-4559  
By Mail: Hotline: Office of the Special Inspector General  
for the Troubled Asset Relief Program  
1801 L Street., NW, 3rd Floor  
Washington, D.C. 20220

## PRESS INQUIRIES

If you have any inquiries, please contact our Press Office:

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## LEGISLATIVE AFFAIRS

For Congressional inquiries, please contact our Legislative Affairs Office:

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## OBTAINING COPIES OF TESTIMONY AND REPORTS

To obtain copies of testimony and reports, please log on to our website at [www.SIGTARP.gov](http://www.SIGTARP.gov).

